



CALIFORNIA Economic Indicators

September–October 2003

A Jobless Recovery So Far

Waiting for employment to catch up.

■ REVIEW OF RECENT ECONOMIC DEVELOPMENTS

Economic indicators continue to give mixed signals about California's economy. Most indicators outside of employment point to an economy on the mend. And even the two most prominent employment indicators have given confusing signals (see Mixed Messages From Employment below). Despite an ongoing slide in payroll employment, the unemployment rate dropped to its lowest point of the year in September. Home building is still a strong point even though the rate of growth has slowed tremendously.

Employment

Payroll employment continued to slide in September despite a notable drop in the unemployment rate. Industry employment fell by 16,600 in September, and August's losses were revised up to 7,800 from the initially reported 1,900. From September 2002 to September 2003, California nonfarm employment fell by 51,300, or 0.4 percent. In contrast, over the past year, civilian employment grew by 202,900 jobs, or 1.2 percent. Over the same 12 months, national payroll employment fell by 0.3 percent while national civilian employment rose by 0.2 percent.

Manufacturing Grows for a Change

Manufacturing employment increased for the first time since April 2002, adding 3,500 jobs in September. This was also the first month-over-month increase in excess of 1,000 since December 2000. Five other major industry sectors also added jobs. Trade, Transportation and Utilities added 4,400 jobs; Construction, 900; Other Services, 500; Professional and Business Services 300 jobs; and Financial Activities, 100.

Five major industry sectors lost jobs in September. Educational and Health Services lost 9,700 jobs; Leisure and Hospitality, 8,000; Information, 6,000; Government lost 2,300 jobs; and Natural Resources and Mining, 300.

On a year-over-year basis, five industry sectors added jobs, while six declined. From September 2002 to September 2003, employment rose by 29,000 in Leisure and Hospitality, 14,000 in Construction, 12,000 in Educational and Health Services, 11,000 in Financial Activities, and 1,000 in Natural Resources and Mining.

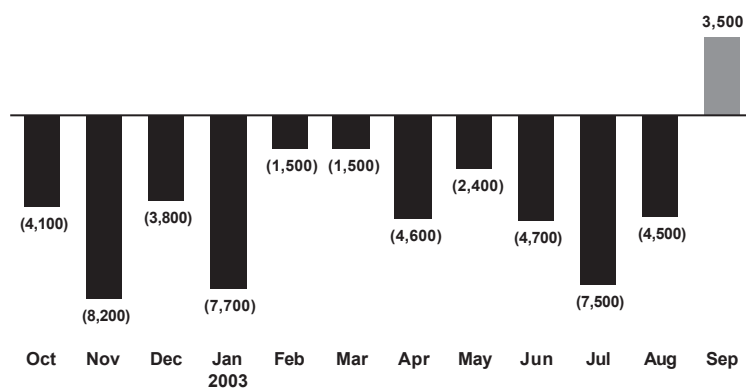
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FIGURE 1

A Gain for Manufacturing

Month-To-Month Employment Change in Manufacturing



Over the year, employment fell by 47,000 in Manufacturing, the smallest reduction since May 2001. Nearly 24,000 jobs were lost in Government, with public school employment accounting for the largest share. Over 19,000 jobs were lost in Information, 13,200 in Trade, Transportation and Utilities, 12,600 in Professional and Business Services, and 2,400 in Other Services.

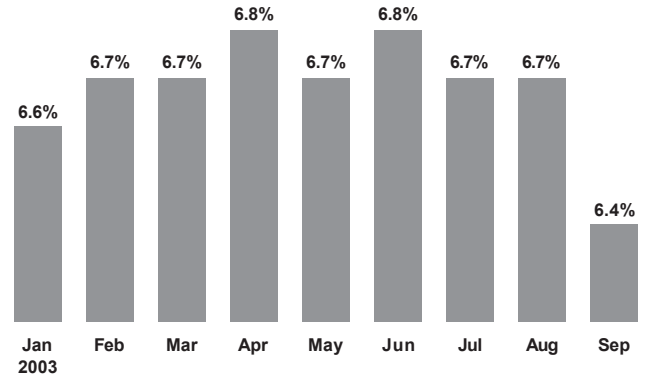
Civilian Employment Improves

In contrast to the negative trend in industry employment, California's civilian employment picture has been improving. The state's unemployment rate dropped 0.3 percentage point to 6.4 percent in September, breaking out of the 6.6 percent to 6.8 percent band it has been stuck in for the last eight months. Civilian employment rose by 39,000 in September, while unemployment fell 64,000. (The national unemployment held steady at 6.1 percent in September).

A year ago, California's unemployment rate was 6.7 percent. Since September 2002, civilian employment has grown by nearly 203,000. Unemployment fell by 56,700. Thus, the employment growth rate over the year, 1.2 percent, outstripped labor force growth, 0.8 percent.

FIGURE 2

Jobless Rate Dips in September



Building Activity

Home building moderates

Homebuilding slowed in August, following a substantial increase in July. Just as volatile multi-family building was responsible for July's surge, it was the chief reason for the slowdown in August. On a year-over-year basis, though, there was improvement in both sectors from August 2002. Total residential construction, as measured by permit issuances, registered a 4.6 percent increase, reaching a seasonally adjusted annual rate of 171,000 units in August. For the first eight months of 2003, residential construction averaged nearly 24 percent more than the same months of 2002, with multi-family residential construction registering the greatest gain, 52.4 percent.

Commercial building recedes after a surge

Following robust activity in July, nonresidential construction slowed dramatically in August. Total nonresidential construction, as measured by the value of permits issued, fell over 21 percent from a very strong level in July. Store construction, which was the source of the July surge, led the slowdown in August. The pace of commercial construction during the first eight months of 2003 was off almost 5 percent from the same months of 2002.

Real Estate

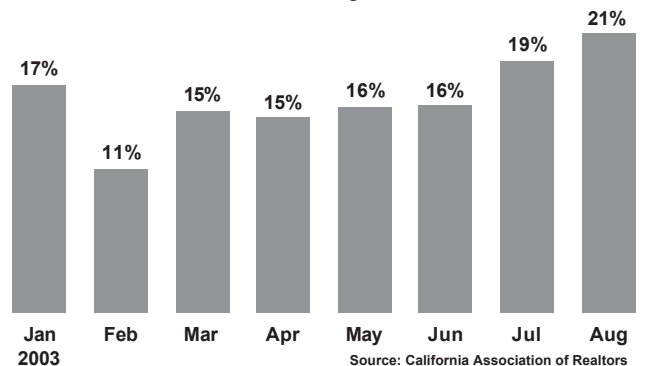
Home sales still going strong

The prospect of rising home mortgage rates stimulated existing home sales in August, boosting them nearly 15 percent above the rate registered a year ago. The sale of 645,720 units on a seasonally adjusted-annual rate basis was a stupendous 8.4 percent increase over July's pace. This August surge means that home sales during the first eight months of 2003 have slightly bettered the record setting pace set during the same months of 2002.

FIGURE 3

Home Prices Continue to Climb

Year-Over-Year Change in Median California Home Price



Source: California Association of Realtors

In concert with rising home sales, existing home prices also continued climbing. The median price of existing single-family homes sold in August topped the \$400,000 mark for the first time in history. The new median price, \$404,870 marked a 21 percent increase from a year earlier. Year-over-year home price appreciation has averaged over 16 percent thus far in 2003.

■ MIXED MESSAGES FROM EMPLOYMENT

Conflicting Indicators

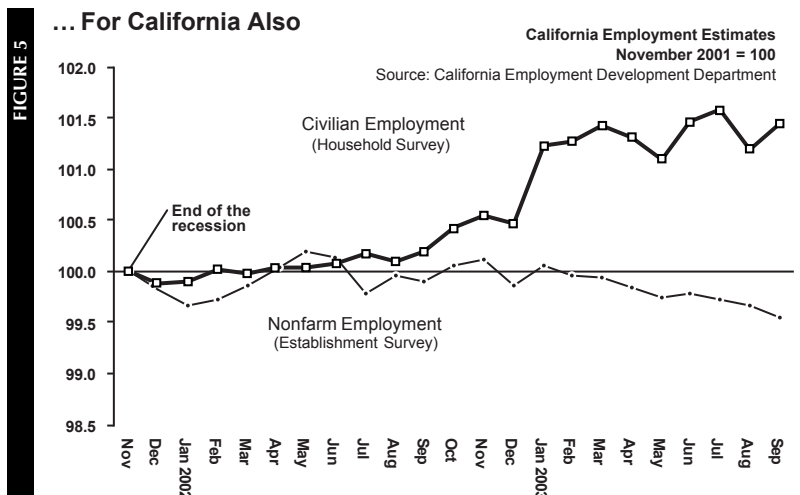
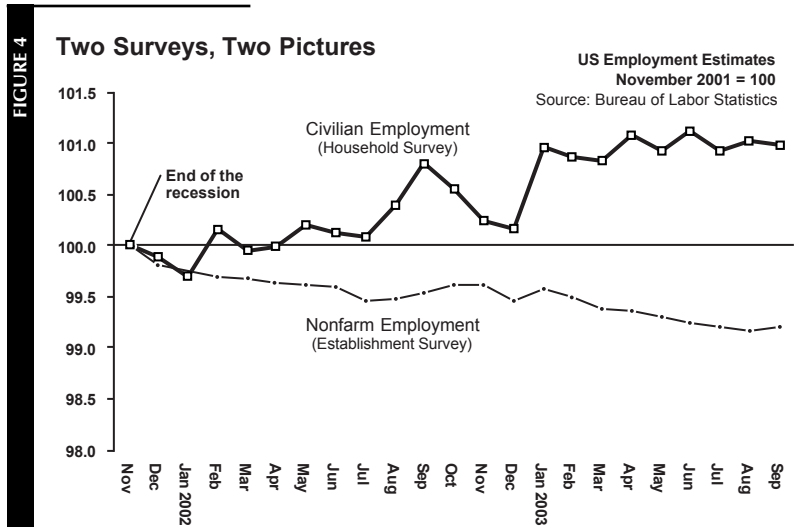
Discerning economic trends from regularly published indicators is an ambiguous science at best. Unraveling conflicting economic signals is the economic forecaster's eternal bailiwick. The current economic recovery is a case in point. Since the official end of the national recession in November 2001 a variety of output measures, such as Gross Domestic Product, have indicated that a recovery is underway. Employment figures, however, have not followed suit, as this is clearly a "jobless" recovery.

However, the most widely used employment measures have attracted attention lately because they are giving contradictory signals. Two employment estimates—nonfarm and civilian—are generated for both the nation and California. The employment estimates developed by the Bureau of Labor Statistics (BLS) and the California Employment Development Department (EDD) are generally highly regarded indicators. These estimates are published on a monthly basis and are derived from systematic surveys of businesses and households. Given their importance, it is vital to understand what these two estimates actually measure and why they have diverged.

At the national level, much has been made of the fact that industry employment has continued to decline ever since the officially dated end of the recession. Since November 2001, national nonfarm employment, estimated from a survey of employers, has fallen 1.04 million, or 0.8 percent. Over the same period, however, estimated civilian employment, derived from a survey of households, has actually grown by 1.36 million, or 1.0 percent. This is a difference of 2.4 million jobs.

A similar phenomenon is evident in the California estimates as well. Since the end of the recession, nonfarm employment has declined by 70,000, or 0.5 percent. Civilian employment, as with the nation, has grown by 23,000, or 1.4 percent.

The nation and California exhibit comparable disparities. The difference between the growth rates of the nation is 1.8 percentage points (-0.8 minus 1.0). For California the difference is 1.9 percentage points (-0.5 minus 1.4).



Different Surveys, Different Results

Even though these deviations are significant, you must take into account what the two series are actually estimating and consider the potential estimation errors that are inherent in both systems. The establishment survey estimates industry, or payroll, employment. It estimates the total number of persons on the payrolls of firms or government agencies employed full or part time who received pay for working any part of the pay period which includes the 12th day of the month. This estimate is based on an establishment payroll survey—the Current Employment Statistics (CES) survey—based on a sample of 400,000 business establishments nationwide—about 42,000 California firms. The survey covers roughly 5 percent of all business establishments that, in total, employ two-thirds of all private-sector workers in the state. This includes temporary and intermittent employees as well as workers on paid sick leave or holiday. In addition to this monthly survey, the estimation process is further enhanced, or “benchmarked”, by revisions based on payroll tax reports submitted by California employers covered by the Unemployment Insurance program—essentially all employees.

In contrast, the household survey is far more limited in scope but uses a broader definition of employment. Civilian employment estimates are derived from a monthly survey, the Current Population Survey (CPS), of 60,000 households nationwide—about 5,000 in California. An individual in each sampled household is interviewed to gather information on the labor force activities (jobholding and job seeking) or non-labor force status of the members of the household (16 years of age and older not in an institution such as a prison or mental hospital or on active military duty) during the week that includes the 12th of the month. Based on the activities engaged in—worked, looked for work, etc.—each person is classified as employed, unemployed, or not in the labor force. The total survey numbers are then “weighted,” or adjusted to independent population estimates based on updated decennial census results.

Given the significant differences in the estimation methodologies, it is not surprising that they can paint different pictures of the current employment situation. The establishment survey is much broader, effectively encompassing more than a majority of all jobholders. It is also supplemented by information on actual payroll payments (unemployment insurance payments). Its focus on the firm, however, has several limitations. Agricultural employment is not included and neither is self-employment nor domestic employment. It can also take up to two years for a new firm to be included in the set from which the survey is drawn from. The firm sample, designed to encompass as many employees as possible, is also biased towards the largest employers. Thus, employment activities within new, small firms are systematically downplayed.

The household survey covers a broader range of employment. It includes sole proprietors working for themselves, as well as those being paid “under the table.” It is, however, based on a much smaller sample and thus raises concerns about its accuracy. The survey contacts only about 0.06 percent of all households. Also, the responses of the interviewees are essentially unverifiable and are based on their personal interpretation.

Each system has its own shortcomings. The critical shortcoming of the nonfarm (establishment) survey is that it tends to undercount new jobs created by new firms. This is most likely to occur during economic expansions. It can, on the other hand, overstate employment by

Industry, Nonfarm, or Payroll Employment	Civilian Employment
Counts the numbers of jobs for which employers pay wages or salaries.	Counts the number of people who work.
Excludes business owners, self-employed persons, unpaid volunteers or family workers and private household workers.	Includes wage and salary jobs and business owners or self-employed, private household workers or unpaid workers in a family enterprise.
Counts both jobs if a person holds two wage and salaried jobs.	Count multiple jobholders as one employed person.
Does not count jobs held by those not working because of a labor-management dispute.	Includes residents with jobs, but who are not working due to a labor-management dispute.

counting multiple jobholders more than once. The chief shortcoming of the civilian employment estimate is its small sample size and its reliance on population estimates from the census. While civilian employment is a broader and more sensitive gauge of the employment situation, it's accuracy is more questionable and is subject to more significant revisions. In short, nonfarm employment estimates may understate employment gains during expansions (and downplay losses during recessions), while civilian employment estimates are considered less accurate.

Thus the divergence of the two estimates is easily explained by the nature of the surveys. Take the August 2002 and August 2003 national employment estimates. National civilian employment rose 842,000 over those 12 months. Nonfarm employment during this same time fell by 560,000, a net discrepancy of 1,402,000 jobs. The civilian employment gain included 197,000 new agriculture jobs, 558,000 more self-employed persons, 245,000 more unpaid family members, household workers, and unpaid absences. This accounts for 1,000,000 of the difference. A revision of the census population estimates also added 575,000 to the civilian employment growth estimate. The estimate also included 309,000 more multiple jobholders. Thus, converting the household series to match the nonfarm series converts the civilian job gain to a loss of 425,000 jobs, which is comparable to the losses indicated by the nonfarm series.

The technical census revision had a somewhat different impact on California's civilian employment estimates. The revisions to the estimates lowered job growth in the early months of 2002 but raised them in the last four months of the year. According to the prerevision estimates, civilian employment grew by 31,100 jobs between December 2001 and December 2002 (the last available pre-revision estimate). After the revision, estimated December-to-December growth rose to 94,400 jobs.

How do the alternative employment estimates compare during economic expansions generally? A comparison of the job growth derived from the nonfarm and civilian estimates does not give a clear picture. A current criticism of the nonfarm series is that it misses a significant amount of real job growth. According to the discussion above, the civilian employment estimates are more inclusive—principally they include self-employment—and nonfarm estimates miss employment in new businesses. Thus, the civilian employment series should be a more accurate gauge of economic recoveries.

The respective performances of these two series during the major post-war economic recoveries are not entirely consistent with this critique, however. There are, in addition, significant inconsistencies between the national and California series. Looking at estimated job creation 12 months into each recovery, California nonfarm employment generally out-grew civilian employment. For the nation as a whole, the opposite was true. As the critique holds, average national civilian employment gains outstripped nonfarm gains by about 16 percent. There is also more consistency in the national figures, as civilian gains exceeded nonfarm gains in the last six recoveries.

This Recession is Different

A notable point is that it appears that recoveries from the 1990-91 and 2001 recessions differ from earlier periods. In both the national and California cases, post-recession job growth was weaker than in earlier recoveries—both were characterized as “jobless” recoveries. The divergence between the civilian and nonfarm estimates for the state and the nation were significantly larger than in earlier cases.

There are a couple of possible explanations. The difference between the ways the two employment series are estimated may be amplified during episodes of very restrained job growth. By the end of the first year of the current recovery, nonfarm employment in California had expanded only 0.1 percent and civilian employment 0.6 percent. During the first year of recovery from the 1990-91 recession,

FIGURE 6

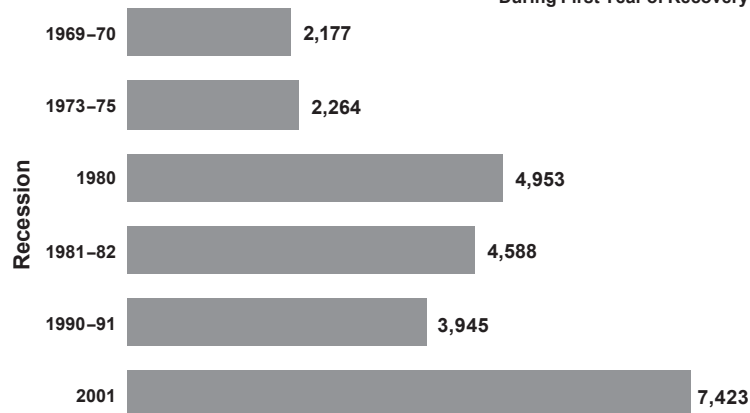
Employment Growth During Recoveries

Job Gains 12 Months after Trough

1,000s of Jobs

Recession	California			U.S.		
	Nonfarm	Civilian	Var.	Nonfarm	Civilian	Var.
1957–58	232	133	(99)	2,294	2,137	(157)
1960–61	133	143	10	1,631	950	(681)
1969–70	299	273	(26)	1,435	1,647	212
1973–75	351	285	(66)	2,830	3,227	397
1980	252	177	(75)	1,762	1,897	135
1981–82	333	321	(12)	3,084	3,617	533
1990–91	104	185	81	(241)	492	733
2001	18	90	72	(491)	324	815
Average	215	201	(14)	1,538	1,786	248

FIGURE 7

More New BusinessesNew California Business Incorporations
During First Year of Recovery

nonfarm employment grew 0.9 percent and civilian employment 1.3 percent. The first year growth in the previous recoveries averaged 3.8 percent for nonfarm and 2.7 percent for civilian employment.

Another explanation may involve how new businesses show up. This is a systematic difference between the two series. One of the much-touted benefits of new digital technologies, and the internet in particular, is the greater ease of starting new businesses and out-sourcing work (often to smaller firms). An acceleration of the pace of new business creation could explain why civilian employment is more expansive in the latest recovery. The number of new business incorporations, an indicator of new business formation, during the first year of the recovery from the 2001 recession is more than twice the average number during the same period of the previous recoveries.

Conclusion

It is clear that these two employment estimates paint different pictures. Civilian employment estimates are derived to measure the working population's satisfaction with current job opportunities. It is a less reliable indicator of overall economic activity. On the other hand, to the extent that economic expansion occurs through the creation of new businesses, the nonfarm series probably undercounts employment growth. It is however, a much more accurate measure of the number of wage earning jobs. Given the strengths and weaknesses of both systems, and taking into account technological developments that may be raising the prominence of new and small businesses relative to larger established companies, it would be wise to consider both measures of employment.

Select Indicators

		2003				2002	Yr-Over-Yr % Change
		Sep	Aug	Jul	Jun	Sep	
<u>Employment</u>	EMPLOYMENT (Seasonally adjusted)						
	Civilian employment (000)	16,450	16,411	16,472	16,453	16,247	1.2
	Unemployment (000)	1,119	1,183	1,189	1,199	1,176	-4.8
	Unemployment rate	6.4	6.7	6.7	6.8	6.7	--
	Nonagricultural wage and salary employment (000) a/	14,419.1	14,435.7	14,443.5	14,453.5	14,470.4	-0.4
	Goods-producing industries	2,385.3	2,381.2	2,387.0	2,394.9	2,417.3	-1.3
	Natural resources and mining	23.3	23.6	23.3	22.7	22.3	4.5
	Construction	785.6	784.7	786.3	787.3	771.6	1.8
	Manufacturing	1,576.4	1,572.9	1,577.4	1,584.9	1,623.4	-2.9
	Service-providing industries	12,033.8	12,054.5	12,056.5	12,058.6	12,053.1	0.2
	Trade, transportation, and utilities	2,729.9	2,725.5	2,727.2	2,726.5	2,743.1	-0.5
	Information	466.4	472.4	475.4	473.2	485.7	-4.0
	Financial activities	865.7	865.6	865.3	864.8	854.7	1.3
	Professional and business services	2,109.0	2,108.7	2,103.2	2,106.3	2,121.6	-0.6
	Educational and health services	1,520.5	1,530.2	1,524.9	1,524.6	1,508.5	0.8
	Leisure and hospitality	1,409.1	1,417.1	1,413.2	1,411.3	1,380.1	2.1
	Other services	501.8	501.3	501.9	504.4	504.2	-0.5
	Government	2,431.4	2,433.7	2,445.4	2,447.5	2,455.2	-1.0
<u>Hours & Earnings</u>	HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)						
	Average weekly hours	39.9	39.7	39.2	40.0	40.2	-0.7
	Average weekly earnings	\$602.09	\$597.49	\$591.53	\$601.20	\$594.56	1.3
	Average hourly earnings	\$15.09	\$15.05	\$15.09	\$15.03	\$14.79	2.0
<u>Consumer Prices</u>	CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)						
	All Urban Consumers Series						
	California Average	n.a.	190.3	n.a.	189.9	n.a.	--
	San Francisco CMSA	n.a.	196.3	n.a.	196.3	n.a.	--
	Los Angeles CMSA	188.2	186.9	186.3	186.3	183.4	2.6
	Urban Wage Earners and Clerical Workers Series						
	California Average	n.a.	183.9	n.a.	183.2	n.a.	--
	San Francisco CMSA	n.a.	192.3	n.a.	192.2	n.a.	--
	Los Angeles CMSA	181.9	180.5	179.6	179.6	176.3	3.2
<u>Construction</u>	CONSTRUCTION						
	Private residential housing units authorized (000) b/	190	174	196	177	183	3.8
	Single units	151	129	134	130	132	14.4
	Multiple units	39	44	63	47	50	-22.0
	Residential building authorized valuation (millions) c/	40,131	35,965	38,206	34,566	35,214	14.0
	Nonresidential building authorized valuation (millions) c/	14,183	12,662	16,011	13,561	13,755	3.1
	Nonresidential building authorized valuation (millions) d/	1,233	1,182	1,257	1,254	1,201	2.7
	Commercial	349	325	384	343	412	-15.2
	Industrial	124	109	102	117	102	20.9
	Other	291	271	274	278	266	9.3
	Alterations and additions	469	477	497	517	421	11.5
<u>Auto Sales</u>	AUTO SALES (Seasonally adjusted)						
	New auto registrations (number)	n.a.	122,681	134,294	141,663	150,325	--

a/ The wage and salary employment information is now based on the new North American Industry Classification System (NAICS)

b/ Seasonally adjusted at annual rate

c/ Seasonally adjusted

d/ Not seasonally adjusted

n.a. Not available

Select Indicators

Continued

VACANCY RATES FOR THIRD QUARTER 2003 (Percent)

	Office			Industrial
	Downtown	Suburban	Total	
Northern and Central California:				
Oakland	15.6	16.8	16.6	--
Sacramento	11.9	12.5	12.3	15.3
San Francisco	18.7	27.7	21.5	13.4
San Jose	18.7	22.4	21.6	--
Southern California:				
Los Angeles Metro	18.7	14.3	15.0	8.8
Orange County	--	14.4	14.4	--
San Diego	10.6	12.1	11.8	9.7
Ventura County	--	8.8	8.8	--
National Average	14.5	18.2	16.8	11.7

MEDIAN PRICE OF EXISTING SINGLE-FAMILY HOMES

2002				2003			
Jan	\$287,080	Jul	321,900	Jan	\$336,740	Jul	383,320
Feb	294,870	Aug	332,970	Feb	327,120	Aug	400,020
Mar	305,840	Sep	322,450	Mar	352,780	Sep	380,040
Apr	317,120	Oct	322,990	Apr	363,930		
May	319,590	Nov	327,500	May	369,450		
Jun	324,640	Dec	339,570	Jun	376,260		

Leading Indicators/^A

		Manufacturing Overtime Hours	Average Weekly Hours	Unemployment Insurance Initial Claims	New Business Incorporations	Housing Unit Authorizations (Thousands)
1999	Jan	4.7	42.4	51,796	4,901	138.3
	Feb	4.7	42.0	53,199	5,119	133.9
	Mar	4.7	42.0	53,206	6,041	138.1
	Apr	4.7	42.0	52,538	5,097	133.2
	May	4.8	42.0	50,431	5,221	132.6
	Jun	4.7	41.9	51,566	5,575	158.9
	Jul	4.6	41.8	51,040	5,358	147.0
	Aug	4.5	41.5	51,062	5,798	133.2
	Sep	4.5	41.0	50,237	5,876	138.8
	Oct	4.7	41.6	49,132	5,555	131.9
	Nov	4.8	41.5	52,076	5,864	141.2
	Dec	4.9	41.5	44,959	6,654	150.3
2000	Jan	5.0	41.8	50,055	6,476	153.9
	Feb	4.9	41.4	50,359	6,939	151.3
	Mar	4.8	41.4	47,573	8,390	157.6
	Apr	5.2	42.0	44,590	7,564	125.2
	May	5.0	41.6	47,976	6,542	137.7
	Jun	5.0	41.6	49,394	7,339	180.7
	Jul	5.2	41.8	48,033	7,327	132.5
	Aug	4.9	41.7	47,830	7,026	150.9
	Sep	5.0	41.6	47,485	7,205	143.4
	Oct	5.1	41.7	48,851	7,097	136.1
	Nov	4.8	41.6	49,192	7,326	160.3
	Dec	4.8	41.5	52,526	6,457	157.0
2001	Jan	4.1	39.9	47,065	7,474	194.6
	Feb	4.2	40.2	51,343	6,465	138.4
	Mar	4.0	39.9	53,726	6,562	146.5
	Apr	3.5	39.5	53,017	6,217	152.7
	May	3.8	39.7	56,205	6,714	152.8
	Jun	3.8	39.3	55,053	6,429	149.0
	Jul	3.8	39.5	55,764	6,494	129.5
	Aug	3.9	39.6	57,542	7,309	158.4
	Sep	3.9	39.5	59,829	6,149	114.3
	Oct	3.7	39.3	64,090	6,933	145.1
	Nov	3.6	39.0	57,914	7,216	141.3
	Dec	3.7	39.3	47,557	6,922	162.8
2002	Jan	3.8	39.0	66,867	7,175	150.8
	Feb	4.0	39.5	55,653	6,932	166.2
	Mar	4.1	40.0	60,564	7,369	147.1
	Apr	4.1	40.0	64,132	7,305	162.4
	May	4.1	39.7	60,539	8,520	156.2
	Jun	4.1	39.9	59,679	7,012	150.1
	Jul	4.0	39.3	63,104	7,174	179.7
	Aug	4.0	39.8	61,589	7,645	164.0
	Sep	3.9	39.8	61,305	7,726	182.8
	Oct	3.7	39.5	63,105	7,929	214.3
	Nov	3.9	39.6	58,190	7,370	188.6
	Dec	3.9	39.7	58,106	7,778	152.3
2003	Jan	3.9	39.7	60,938	7,275	192.4
	Feb	4.1	39.9	58,324	8,809	261.2
	Mar	3.7	39.8	58,847	7,228	188.5
	Apr	3.7	39.8	65,902	7,840	188.1
	May	3.8	39.9	60,158	7,772	210.2
	Jun	3.7	39.9	61,883	7,939	176.6
	Jul	3.9	39.5	61,862	7,913	196.3
	Aug	3.8	39.5	58,148	7,108	173.8
	Sep	3.9	39.5	n.a.	8,865	190.3

a/ Seasonally adjusted by the California Department of Finance.
n.a. Not available

Coincident Indicators/^A

Employment,
Unemployment

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1999	Jan	13,749	1,831	5.6	356
	Feb	13,782	1,829	5.6	367
	Mar	13,811	1,826	5.5	375
	Apr	13,861	1,828	5.4	364
	May	13,893	1,824	5.3	373
	Jun	13,910	1,823	5.2	375
	Jul	14,009	1,827	5.1	348
	Aug	14,014	1,825	5.0	352
	Sep	14,054	1,834	5.0	364
	Oct	14,115	1,839	4.9	340
	Nov	14,148	1,837	4.9	344
	Dec	14,201	1,837	5.0	347
2000	Jan	14,201	1,842	5.0	359
	Feb	14,258	1,842	5.0	347
	Mar	14,308	1,843	5.0	355
	Apr	14,338	1,846	5.0	337
	May	14,416	1,846	5.1	326
	Jun	14,458	1,856	5.1	331
	Jul	14,484	1,865	5.0	331
	Aug	14,529	1,865	5.0	334
	Sep	14,578	1,865	4.9	313
	Oct	14,580	1,868	4.8	326
	Nov	14,635	1,874	4.8	344
	Dec	14,678	1,879	4.7	324
2001	Jan	14,717	1,874	4.7	354
	Feb	14,719	1,865	4.7	356
	Mar	14,725	1,855	4.8	364
	Apr	14,662	1,831	4.9	386
	May	14,647	1,814	5.1	413
	Jun	14,635	1,798	5.2	421
	Jul	14,569	1,776	5.3	445
	Aug	14,582	1,762	5.6	471
	Sep	14,525	1,741	5.7	478
	Oct	14,518	1,725	6.0	524
	Nov	14,485	1,704	6.2	512
	Dec	14,458	1,688	6.2	520
2002	Jan	14,435	1,674	6.4	511
	Feb	14,444	1,665	6.5	538
	Mar	14,465	1,661	6.6	527
	Apr	14,486	1,661	6.6	541
	May	14,514	1,658	6.6	553
	Jun	14,504	1,651	6.7	542
	Jul	14,455	1,639	6.7	549
	Aug	14,479	1,630	6.7	530
	Sep	14,470	1,623	6.7	541
	Oct	14,493	1,619	6.8	541
	Nov	14,502	1,611	6.8	509
	Dec	14,465	1,607	6.9	517
2003	Jan	14,493	1,600	6.6	509
	Feb	14,478	1,598	6.7	514
	Mar	14,475	1,597	6.7	511
	Apr	14,461	1,592	6.8	571
	May	14,447	1,590	6.7	540
	Jun	14,454	1,585	6.8	552
	Jul	14,444	1,577	6.7	555
	Aug	14,436	1,573	6.7	535
	Sep	14,419	1,576	6.4	n.a.

Income, Wages,
Taxable Sales

		Personal Income (\$ millions)	Total Wages & Salaries (\$ millions)	Taxable Sales (\$ millions)
2000	Qtr I	1,073,810	625,352	107,393
	Qtr II	1,088,418	629,086	109,940
	Qtr III	1,121,937	653,939	111,702
	Qtr IV	1,118,553	645,688	112,045
2001	Qtr I	1,147,945	663,059	111,989
	Qtr II	1,134,569	651,966	111,275
	Qtr III	1,121,148	638,918	108,517
	Qtr IV	1,115,811	634,199	109,442
2002	Qtr I	1,138,871	638,577	108,528
	Qtr II	1,153,961	642,158	109,986
	Qtr III	1,160,405	643,080	111,384
	Qtr IV	1,167,754	648,558	107,572
2003	Qtr I	1,178,509	655,276	109,378
	Qtr II	n.a.	n.a.	111,712

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department
n.a. Not available

Other Indicators

DOD Prime Contracts a/						Foreign Trade through California Ports			
	\$ millions	% of U.S.		\$ millions	% of U.S.		\$ millions		\$ millions
1981-82	22,685	21.8	1992-93	22,952	20.1	2002		2003	
1982-83	26,387	22.2	1993-94	22,573	20.5	Jan	24,205	Jan	25,997
1983-84	28,520	23.0	1994-95	18,277	16.8	Feb	24,197	Feb	24,781
1984-85	29,115	20.8	1995-96	18,230	16.7	Mar	26,263	Mar	28,573
1985-86	27,738	20.4	1996-97	18,477	17.3	Apr	27,081	Apr	28,309
1986-87	24,515	18.4	1997-98	17,401	15.9	May	27,382	May	27,627
1987-88	23,458	18.7	1998-99	17,372	15.1	Jun	28,972	Jun	29,517
1988-89	23,125	19.3	1999-00	18,100	14.7	Jul	28,333	Jul	30,348
1989-90	22,312	18.4	2000-01	19,939	14.7	Aug	29,634	Aug	29,472
1990-91	24,265	19.5	2001-02	23,816	15.0	Sep	28,764		
1991-92	23,843	21.2				Oct	27,547		
						Nov	29,567		
						Dec	27,857		

a/ U.S. fiscal year: October through September

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

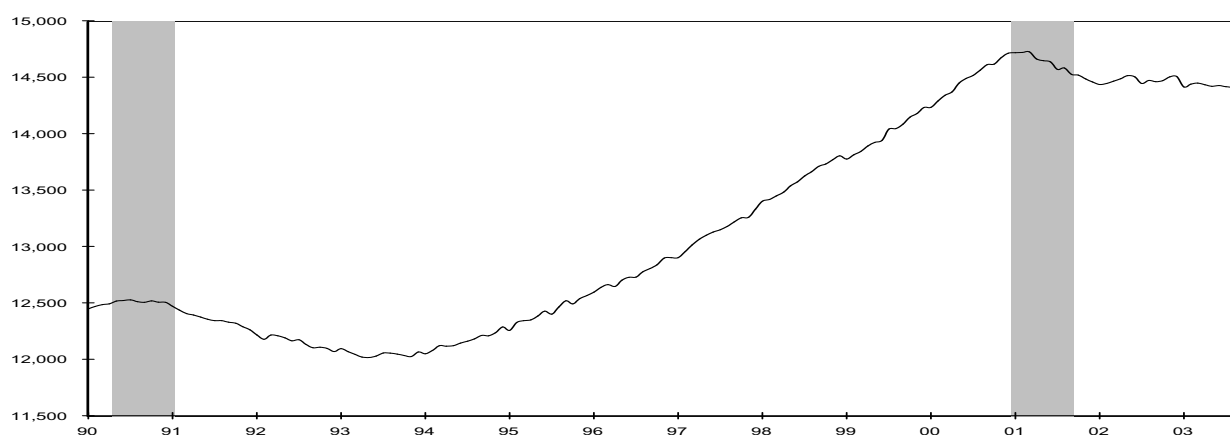
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, The X-11 Arima Seasonal Adjustment Method (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to “freeze” the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

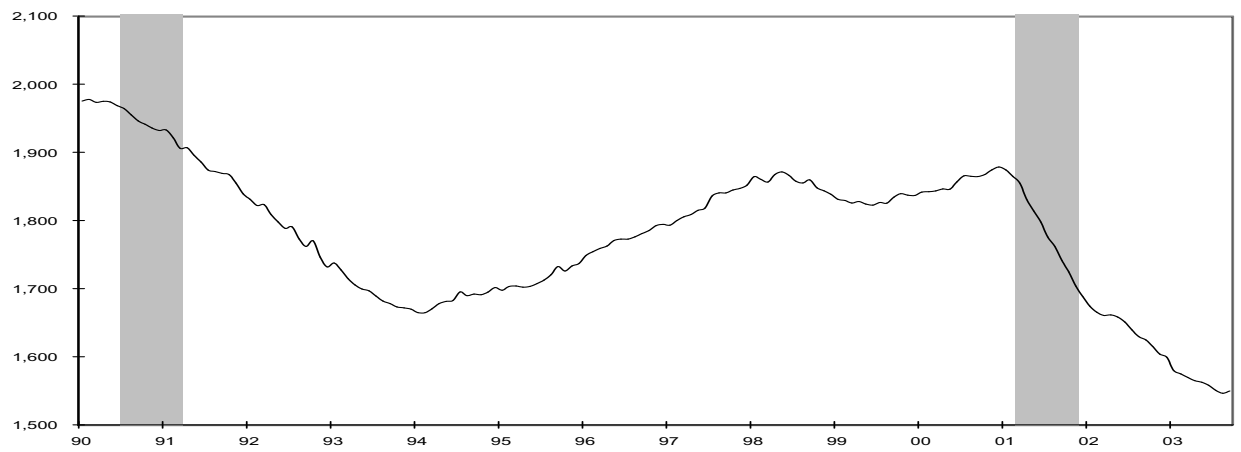
This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

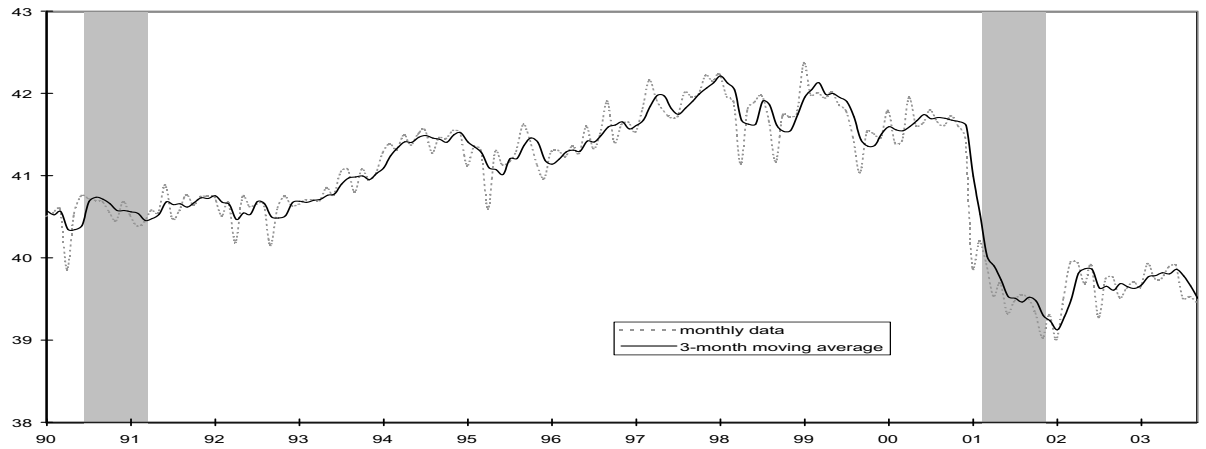
Nonagricultural Employment
(thousands, Seasonally Adjusted)



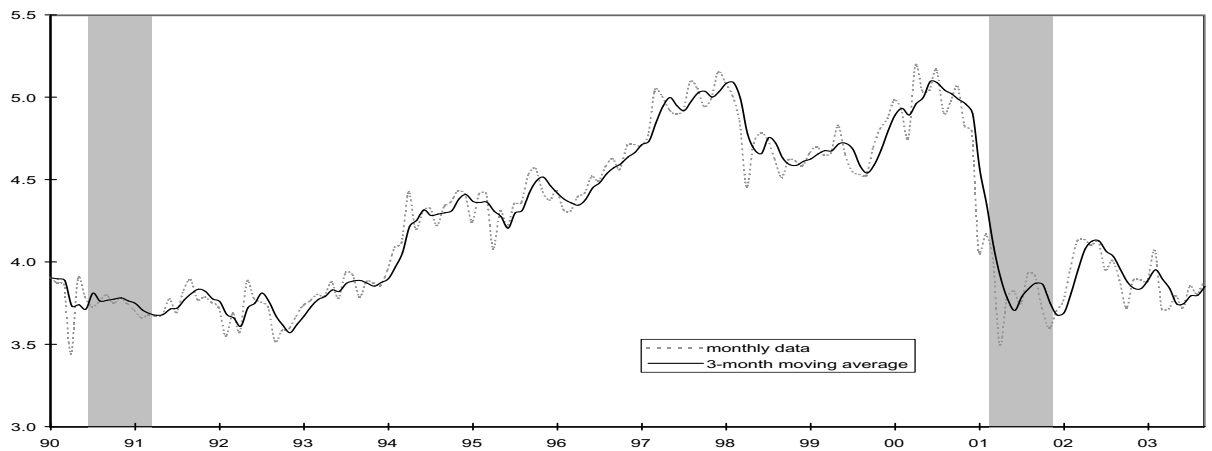
**Manufacturing
Employment**
(thousands,
Seasonally Adjusted)



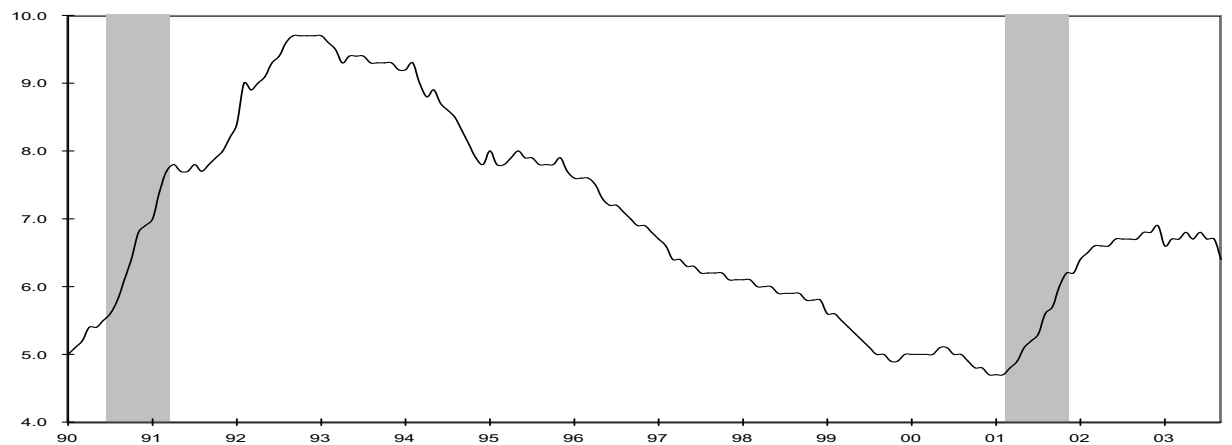
**Average
Weekly Hours,
Manufacturing**
(Seasonally Adjusted)



**Average
Overtime Hours,
Manufacturing**
(Seasonally Adjusted)

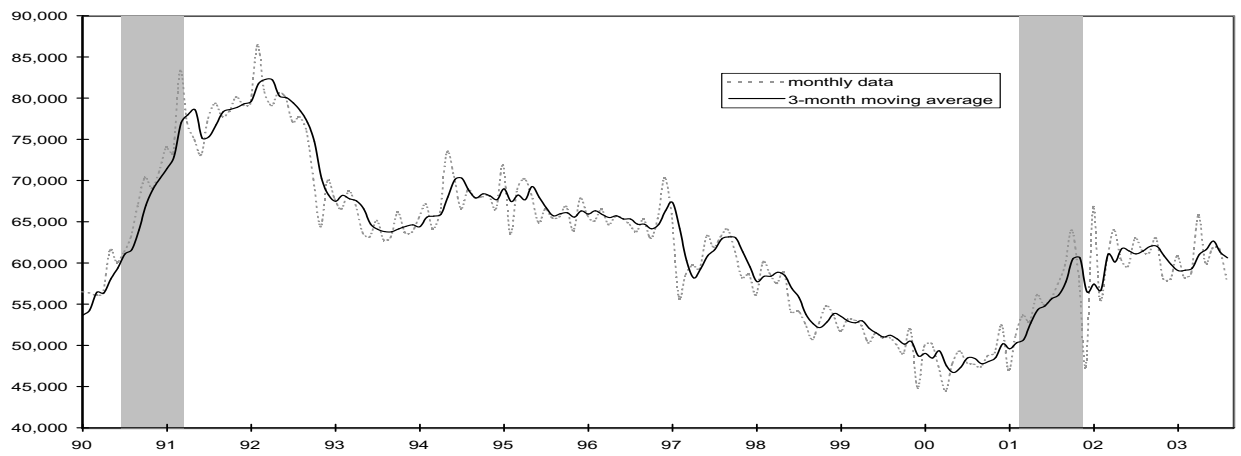


**Unemployment
Rate**
(Percent)



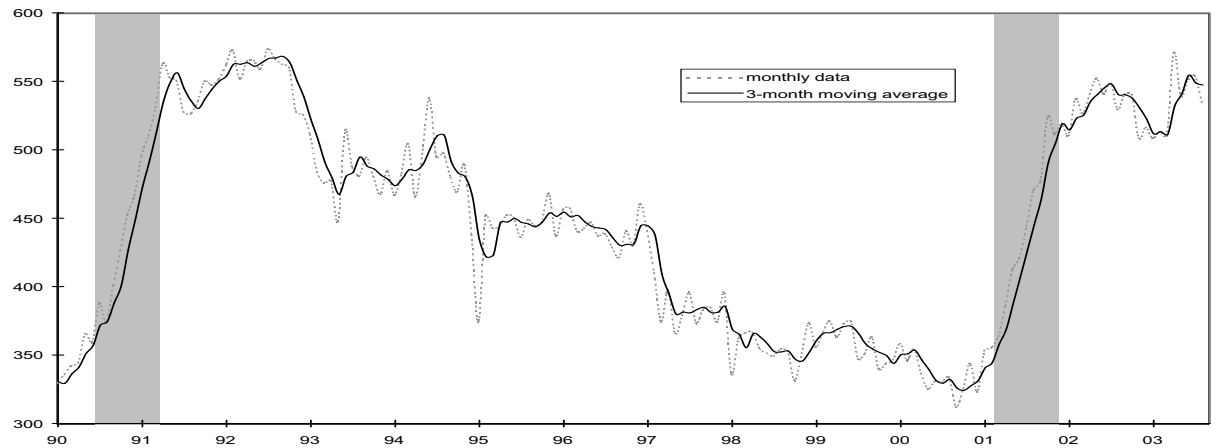
Initial & Transitional Claims for Unemployment Insurance

(Weekly Average, Seasonally Adjusted)



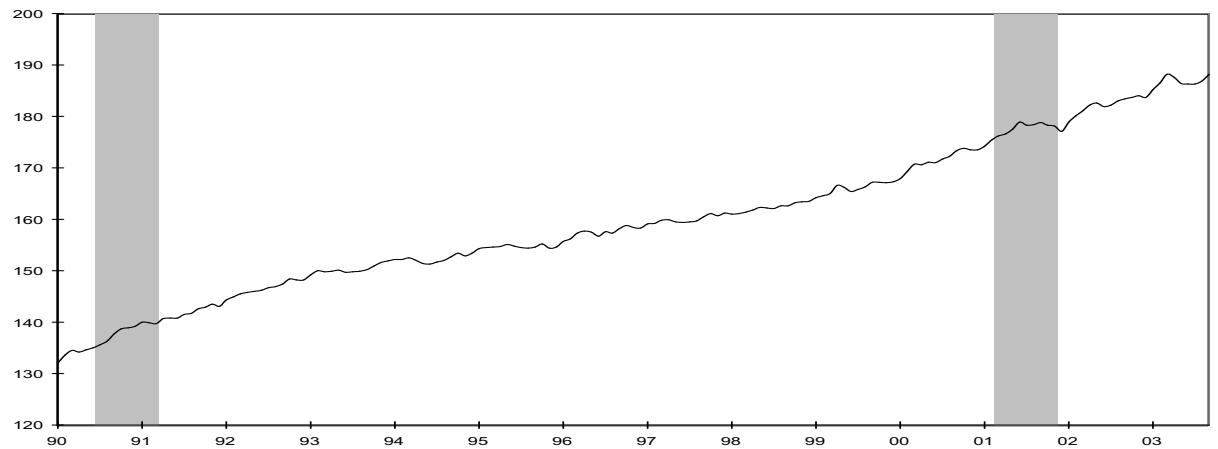
Unemployment, Average Weeks Claimed

(thousands, Seasonally Adjusted)



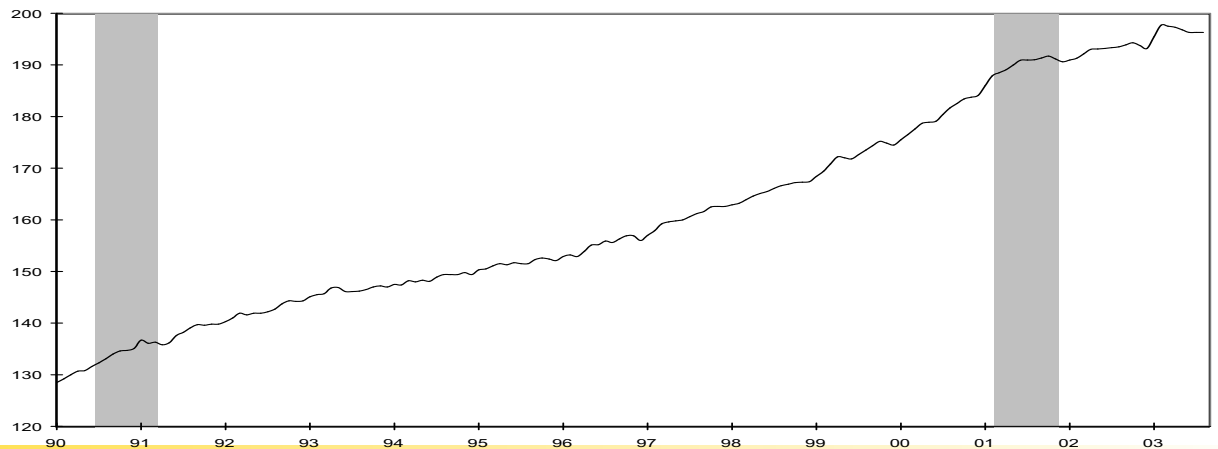
Consumer Price Index, Los Angeles

(1982-84=100)



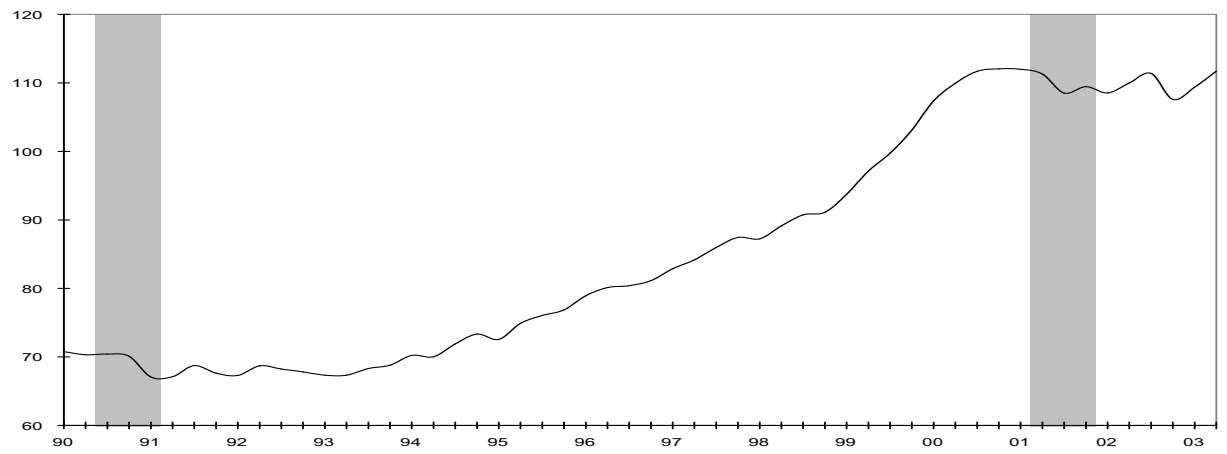
Consumer Price Index, San Francisco

(1982-84=100)



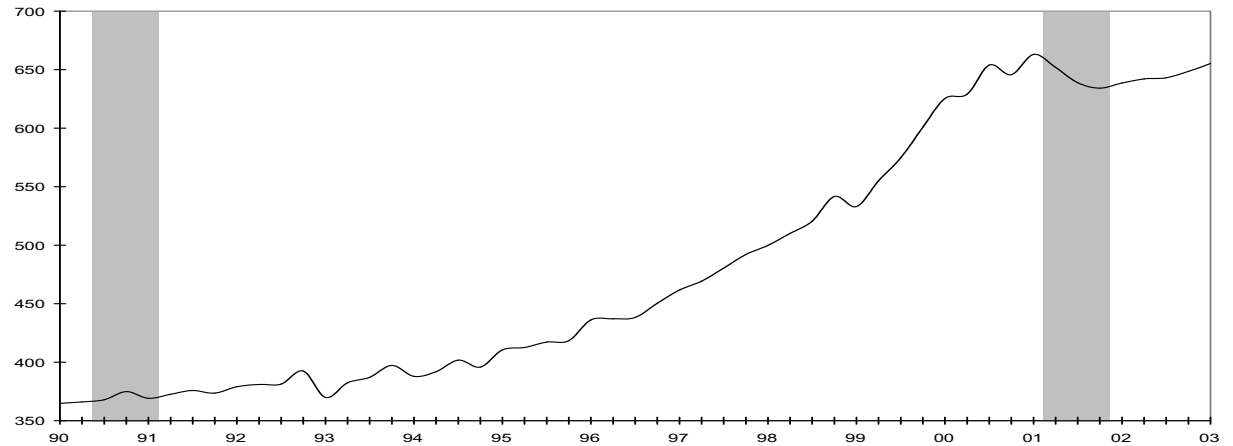
Taxable Sales

(Dollars in billions,
Seasonally Adjusted)



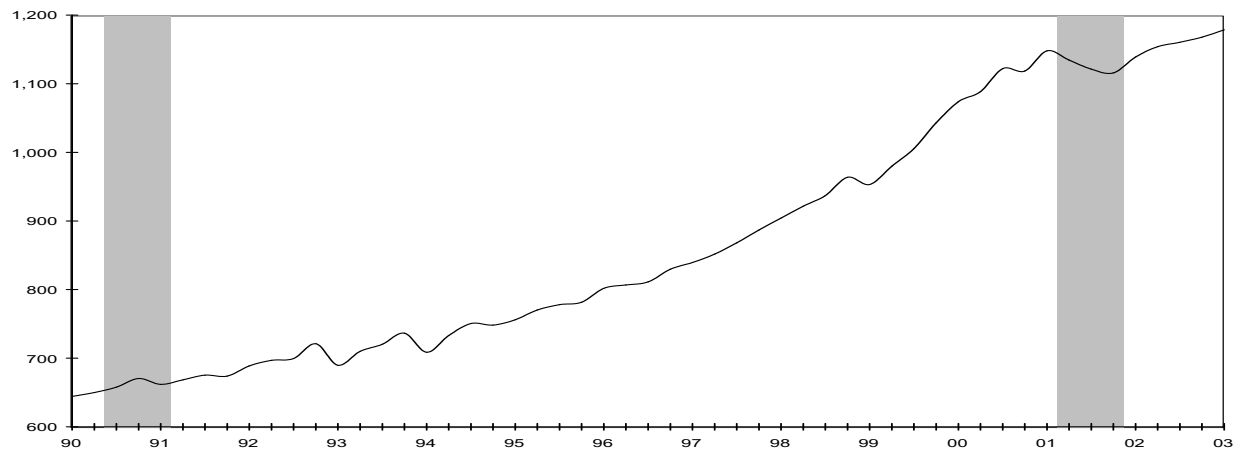
Wages and Salaries

(Dollars in billions,
Seasonally Adjusted)



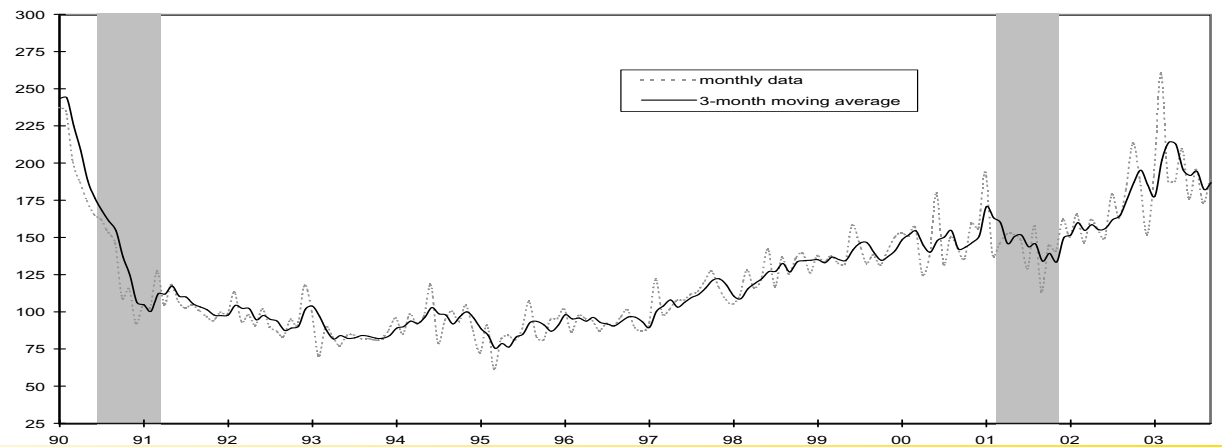
Personal Income

(Dollars in billions,
Seasonally Adjusted)



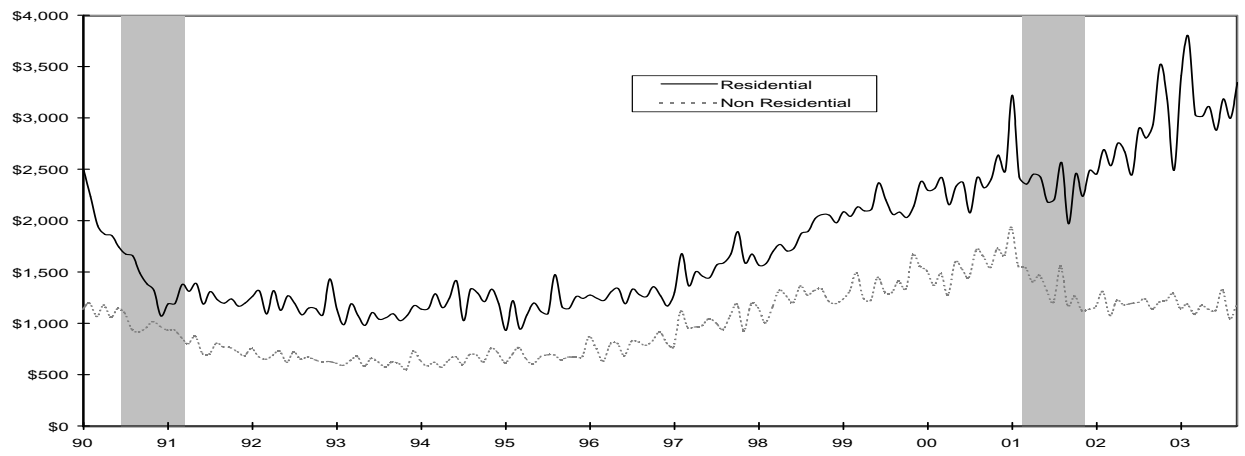
New Housing Units Authorized By Building Permits

(thousands, Seasonally Adjusted at Annual Rate)



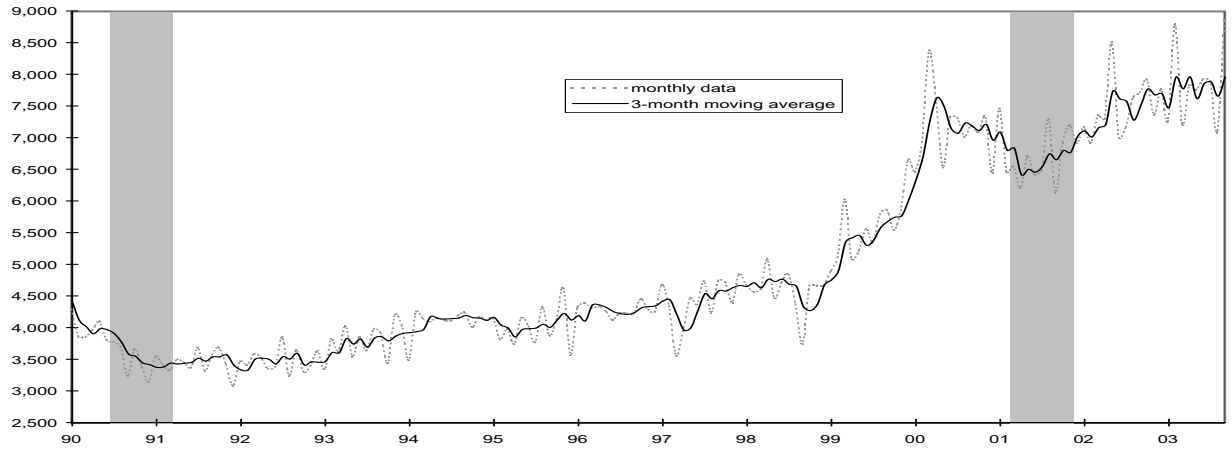
Residential & Nonresidential Building Permit Valuation

(Dollars in millions, Seasonally Adjusted)



New Business Incorporations

(Seasonally Adjusted)



■ BUSINESS CYCLES

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-2001

Initial Trough		Peak		Terminal Trough		Expansion (months)	Contraction (months)	Total (months)
Dec.	1854	June	1857	Dec	1858	30	18	48
Dec.	1858	Oct.	1860	June	1861	22	8	30
June	1861	April	1865	Dec.	1867	46	32	78
Dec.	1867	June	1869	Dec.	1870	18	18	36
Dec.	1870	Oct.	1873	March	1879	34	65	99
March	1879	March	1882	May	1885	36	38	74
May	1885	March	1887	April	1888	22	13	35
April	1888	July	1890	May	1891	27	10	37
May	1891	Jan.	1893	June	1894	20	17	37
June	1894	Dec.	1895	June	1897	18	18	36
June	1897	June	1899	Dec.	1900	24	18	42
Dec.	1900	Sept.	1902	Aug.	1904	21	23	44
Aug.	1904	May	1907	June	1908	33	13	46
June	1908	Jan.	1910	Jan.	1912	19	24	43
Jan.	1912	Jan.	1913	Dec.	1914	12	23	35
Dec.	1914	Aug.	1918	March	1919	44	7	51
March	1919	Jan.	1920	July	1921	10	18	28
July	1921	May	1923	July	1924	22	14	36
July	1924	Oct.	1926	Nov.	1927	27	13	40
Nov.	1927	Aug.	1929	March	1933	21	43	64
March	1933	May	1937	June	1938	50	13	63
June	1938	Feb.	1945	Oct.	1945	80	8	88
Oct.	1945	Nov.	1948	Oct.	1949	37	11	48
Oct.	1949	July	1953	May	1954	45	10	55
May	1954	Aug.	1957	April	1958	39	8	47
April	1958	April	1960	Feb.	1961	24	10	34
Feb.	1961	Dec.	1969	Nov.	1970	106	11	117
Nov.	1970	Nov.	1973	March	1975	36	16	52
March	1975	Jan.	1980	July	1980	58	6	64
July	1980	July	1981	Nov.	1982	12	16	28
Nov.	1982	July	1990	March	1991	92	8	100
March	1991	March	2001	Nov.	2001	120	8	128

■ CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of events dating back to 1956 is available at the Department's internet home page at: www.dof.ca.gov

2001

January 1	California's minimum wage raised from \$5.75 to \$6.25. The California state rate portion of the total 7.25% sales tax rate was reduced by .25%, to a total tax rate of 7.00%.
January 3	Federal funds rate reduced to 6.0 percent from 6.5 percent. Discount rate reduced to 5.5 percent from 6.0 percent.
January 17	OPEC to cut oil production by 1.5 million barrels a day, or 5.6 percent of current output.
January 31	Federal funds rate reduced from 6.0 percent to 5.5 percent. Discount rate reduced from 5.5 percent to 5.0 percent.
March 19	OPEC to cut oil production by 1 million barrels a day.
March 19-20	California suffered rolling blackouts.
March 20	Federal funds rate reduced from 5.5 percent to 5.0 percent. Discount rate reduced from 5.0 percent to 4.5 percent.
March 27	California regulators approved retail electric rate increase.
March 29	GDP grew at an annual rate of 1 percent in the fourth quarter, the lowest in more than 5 years.
April 6	PG&E utility unit files for bankruptcy.
April 18	Federal funds rate reduced from 5.0 percent to 4.5 percent. Discount rate reduced from 4.5 percent to 4.0 percent.
April 23	A Tosco refinery explosion pushed gasoline prices to near record highs.
April 24	Standard & Poors lowered California's bond rating from AA to A+
April 27	GDP grew at an annual rate of 2 percent in the first quarter.
May 7-8	California hit by rolling blackouts.
May 15	Federal funds rate reduced from 4.5 percent to 4.0 percent. Discount rate reduced from 4.0 percent to 3.5 percent.
June 7	Federal tax cut was signed into law.
June 18	The Federal Energy Regulatory Commission adopted a price "mitigation" plan designed to reduce spikes in wholesale electricity prices in California and other Western states.
June 27	Federal funds rate reduced from 4.00 percent to 3.75 percent. Discount rate reduced from 3.50 percent to 3.25 percent.
June 29	First quarter GDP growth rate revised to 1.2 percent.
August 21	Federal funds rate reduced from 3.75 percent to 3.50 percent. Discount rate reduced from 3.25 percent to 3.00 percent.

August 29	Second quarter GDP grew at a 0.2 percent annual rate. Discount rate reduced from 3.25 percent to 3.00 percent.
August 29	Second quarter GDP grew at a 0.2 percent annual rate.
September 11	Terrorists attack World Trade Center and the Pentagon.
September 11–14	U.S. stock trading halts.
September 17	Federal funds rate reduced from 3.50 percent to 3.00 percent. Discount rate reduced from 3.00 percent to 2.50 percent. Dow Jones Industrials record biggest point drop in history, falling 684.41.
October 2	Federal funds rate reduced from 3.00 percent to 2.50 percent. Discount rate reduced from 2.50 percent to 2.00 percent.
October 26	Lockheed Martin Corporation awarded defense contract.
November 6	Federal funds rate reduced from 2.50 percent to 2.00 percent. Discount rate reduced from 2.00 percent to 1.50 percent.
November 26	Recession in the US began in March 2001, according to NBER.
December 2	Enron filed for bankruptcy protection.
December 11	Federal funds rate reduced from 2.00 percent to 1.75 percent. Discount rate reduced from 1.50 percent to 1.25 percent. China becomes WTO member.
December 21	GDP down 1.3 percent in Q3.
December 31	Markets fall for a second straight year for the first time since 1974.

2002

January 1	Taiwan becomes WTO member. OPEC to cut oil production by 6.5 percent. Euro becomes legal tender in 12 European countries.
January 6	Unemployment insurance benefits increased in California.
February 28	GDP up 1.4 percent in Q4.
March 9	California's "Job Creation and Worker Assistance Act of 2002" was signed into law that provides for temporary extended unemployment compensation.
March 28	GDP up 1.7 percent in Q4.
April 25	Security and Exchange Commission launched a formal investigation of Wall Street analysts' conflicts of interest.
May 13	President Bush signed a 10-year, \$190 billion farm bill that promises to expand subsidies to growers.
June 27	GDP up 6.1 percent in Q1.
July 5	Foreign direct investment flows to developed countries declined by 56% in 2001, with the United States seeing the largest fall off to its lowest level since 1997.
July 8	Intel launches its Itanium 2 chip.
July 10	President Bush called for stiffer penalties to eradicate corporate fraud.
July 15	Pfizer to buy Pharmacia.
July 16	The dollar sank against the euro for the first time in more than two years. Intel to eliminate 4,000 jobs.
July 21	WorldCom filed for bankruptcy protection.

July 22	The Dow Jones industrial average sank to its lowest level in nearly four years. Both the Nasdaq and S&P 500 are at their lowest levels since the first half of 1997.
July 30	President Bush signed into law the Public Company Accounting Reform and Investor Protection Act.
July 31	GDP growth slowed to 1.1 percent in Q2 from revised 5.0 percent in Q1. Last year's data was also revised indicating that the economy shrank in each of the first three quarters. Venture capital investments hit four-year low.
August 8	IMF signed an emergency loan to Brazil.
August 11	U.S. Airways filed for bankruptcy.
August 20	The U.S. trade deficit narrowed in June, following two straight record monthly deficits.
September 27 –October 9	Cargo operations at 29 West Coast ports ground to a halt when terminal operators locked out unionized workers.
November 6	Federal funds rate reduced from 1.75 percent to 1.25 percent. Discount rate reduced from 1.25 percent to 0.75 percent.
December 9	United Airlines filed for bankruptcy protection.
December 19	Standard & Poor's lowered California's bond rating to an A from an A+.

2003

February 10	Moody's lowered California's bond rating to A2 from A1.
February 14–17	A major snowstorm hit the Middle Atlantic and Eastern states.
February 26	Doctors in Hong Kong report the first case of a flu-type virus "Atypical Pneumonia" now more commonly known as Severe Acute Respiratory Syndrome (SARS).
March 20	Operation Iraqi Freedom begins.
April 9	Baghdad falls and Iraqis and American troops topple statue of Saddam Hussein.
April 14	President Bush declares conclusion of major combat operations in Iraq.
June 25	Federal funds rate reduced from 1.25 percent to 1 percent, the lowest rate in 45 years.
June 26	GDP up 1.4 percent in Q1.
July 17	The US recession ended in November 2001, according to NBER.
July 24	S&P lowered California's bond rating from "A" to "BBB".
July 25	United States Treasury begins mailing \$400 per child tax rebate checks.
August 2	Governor Gray Davis signs the 2003-04 state budget bill.
August 4	Moody's lowered California's bond rating from A2 to A3.
August 28	GDP grew at a revised 3.1 percent annual rate in the 2 nd quarter.
September 3	Light vehicle sales in the U.S. reach 19.0 million in August, the second best monthly rate ever.
October 21	Wildfires breakout in Southern California, eventually burning 743,000 acres and destroying over 3,500 homes.
October 30	GDP grew by 7.2 percent, its fastest rate since 1984.

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